

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF NEW YORK

TRAVELERS CASUALTY & SURETY COMPANY,
in behalf of itself and as Assignee of all rights
to collateral and indemnity in the name of
RELIANCE INSURANCE COMPANY,

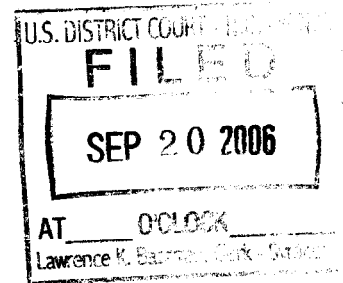
Plaintiff,

-against-

Civil Action No.: 5:2003-CV-1328
(NAM/GJD)

KELLY ATLANTIC CORP., KAC HOLDINGS LLC,
and FREDERICK F. HAEFLEIN,

Defendants.



STIPULATION OF SETTLEMENT AND FOR JUDGMENT

IT IS HEREBY STIPULATED AND AGREED, by and between the undersigned, the attorneys of record for the parties to the above-entitled action, that the above matter is settled for the sum of \$190,000.00 to be paid by defendants to plaintiff, and that a judgment may be entered by the Court in favor of Travelers and against defendants, jointly and severally, in the amount of \$175,000.00, being the settlement amount of \$190,000.00, less the amount of \$15,000.00 paid-to-date, and that such escrowed amount (\$15,000.00) may be released from escrow and paid to plaintiff. Such judgment shall be entered with post-judgment interest commencing as of the date of such judgment.

Dated: September 19, 2006

Becker & Becker
Attorneys for Plaintiff

By: /s/Lawrence E. Becker
Lawrence E. Becker, Esq.

Dated: September 19, 2006

Lacy Katzen LLP
Attorneys for Defendants

By: [Signature]
David L. Rasmussen, Esq.

IT IS SO ORDERED.

[Signature]
Norman A. Mordue
Chief Judge

Dated: September 20, 2006